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SUBJECT: DEJA VU ALL OVER AGAIN: CRISTINA'S NEW CABINET

Classified By: Ambassador E. Anthony Wayne for reason 1.4(d)

11. (C) Summary: President-elect Cristina Fernandez de Kirchner (CFK) announced a new cabinet November 14 that will look very much like her husband's. The early announcement was sparked by infighting among cabinet factions. The limited changes suggest strongly that any evolution in policies under CFK will be gradual.

12. (C) New (or recycled) ministers will take the helm December 10 at the Economy, Justice, Interior, Health, and Education Ministries. A new Science and Technology Ministry will also be created. The accelerated announcement was precipitated by the latest eruption of an ongoing internal power struggle between Cabinet Chief Alberto Fernandez and Planning Minister Julio De Vido. The focus of the dispute was over who will determine how the government's statistics agency (INDEC) will be run. The primary casualty of their tussle is current Economy Minister Miguel Peirano, whose threat to resign (effective December 10) was leaked over the weekend. The new economy minister is young, bright, and apparently not tied to any particular faction, but he is also relatively inexperienced to take on the hefty responsibilities of a combined finance and commerce ministry. The establishment of a Science and Technology Ministry is welcomed by many, and thought to represent CFK's belief that Argentina can carve itself a niche for economic growth in this area. However, there are few significant changes in the rest of the line-up, indicating that CFK will be cautious in making course corrections from the current regime's policy path, if she does so at all. From a bilateral perspective, none of the new Cabinet names appear problematic, and we have worked well with many of those who will be remaining. End Summary.

Internal Squabbling Precipitates Announcement

13. (C) Cabinet Chief Alberto Fernandez announced President-elect Cristina Fernandez de Kirchner's (CFK) new cabinet lineup on November 14, almost a month before the December 10 inauguration of Christina Fernandez de Kirchner as President. The announcement was apparently moved up to quell internal squabbling over the management of INDEC, Argentina's statistics agency. Economy Minister Miguel

Peirano had been expected to continue in his post under CFK but reportedly privately said he would do so only if he were given authority to "normalize" (read: reorganize) INDEC in order to restore the GOA's credibility with regard to critical economic statistics like inflation. Secretary of Internal Commerce Guillermo Moreno (who technically works for Peirano), however, is Planning Minister De Vido's point man on keeping a lid on consumer prices at all costs and is the main force behind the statistical chicanery at INDEC. He was apparently working to keep his own allies in control of INDEC. The Peirano/Moreno dispute is widely viewed as a proxy for a power struggle between Cabinet Chief Alberto Fernandez and Planning Minister De Vido, two heavyweights in Kirchner's cabinet whose internal struggle for power and influence has been going on for years. Cabinet Chief Fernandez supported Peirano and reportedly leaked the issue to the press in an effort to force the Kirchners to let Moreno and De Vido go. If that was his intention, it backfired. Peirano will be out come December 10. Moreno is rumored to be in line for another prominent government position, and De Vido's participation in the new Cabinet was announced today -- by Fernandez himself. But the dispute filled the dailies with speculation about infighting and forced a very early unveiling of a largely status quo cabinet.

Key Kirchner Insiders Remain in Place

14. (C) Cabinet Chief, Alberto Fernandez. Fernandez is one of the Kirchner's most trusted advisors and his continuance in the Cabinet has been virtually assured from the beginning. Reportedly, his retention was one of CFK's conditions for agreeing to run for the Presidency. Contacts report that Fernandez is tired and was not anxious to continue in the high-stress position. (He looked absolutely exhausted as he made the Cabinet announcements this morning.)

15. (C) Federal Planning, Public Investment, and Services, Julio De Vido. De Vido is one of President Kirchner's longest serving and most loyal supporters. Before his appointment as Federal Planning Minister, De Vido served as Kirchner's Santa Cruz province Finance and Government Ministers from 1991-2003. With the bulk of government public works and energy and transport subsidies flowing through his Planning Ministry, De Vido is seen as the principal agent of Nestor Kirchner's control over patronage funding used by the GOA to ensure the obedience of provincial governments to the new regime. He is also rumored to be linked with some of the more questionable deals engineered in the last four years. With domestic energy infrastructure stretched to the breaking point by under-investment and price controls, De Vido is also viewed as the central figure in GOA efforts to make it through the upcoming January-February (austral summer) peak energy demand season. CFK is reportedly less happy with De Vido than her husband, but he is believed to have much inside information and to be intimately trusted by Nestor Kirchner.

16. (C) Social Development Minister, Alicia Kirchner. Alicia Kirchner is reportedly not as close to Cristina as to Nestor, but she will continue to preside over a well-financed ministry with line responsibility for numerous social programs and various subsidies, key tools in the Kirchner's patronage-heavy style of governance.

17. (C) Legal and Technical Secretary Carlos Zannini. Carlos Zannini is a member of the inner circle and one of the Kirchners' closest advisors. Nestor and Cristina make few moves, particularly on legislative or legal issues, without his input.

18. (C) General Secretary of the Presidency Oscar Parilli. Parilli maintains the Kirchners' schedules and guards the palace doors. He is also the Casa Rosada's main interlocutor with various social sector groups, particularly the leftist (and sometimes violent) piquetero groups. He manages various projects and initiatives, including, most notoriously, Hugo Chavez's "counter-summit" here in Buenos Aires in 2006, when

President Bush visited in Montevideo.

Also Staying in Place

¶9. (C) Foreign Relations, International Commerce and Religion Jorge Taiana. Jorge Taiana became CFK's trusted foreign policy advisor during her international travels over the past year. While there were several names in play for foreign minister, Taiana was always the strongest contender. He is not expected to make foreign policy, but to implement it. The Foreign Ministry under his direction has been unambitious, taking a back seat to Brazil in the region, and has not managed particularly well complications in bilateral relations with neighboring countries. This is largely due to the fact that, like most other GOA policy, foreign policy is directed closely from the Casa Rosada. Taiana and his senior staff have made clear privately that they hope CFK will give more attention to foreign policy and thus give the MFA larger role.

¶10. (SBU) Labor, Employment and Social Security, Carlos Tomada. Carlos Tomada won election in October to the national Chamber of Deputies, but has been asked by CFK to remain at Labor. He is trusted by both organized labor and the private sector. His retention, despite his desire for a break, reflects CFK's hope to negotiate a "Social Pact" between labor, business and the state (a still-undefined package of limited wage increase, job protection, price management, protectionism and pro-investment policies to produce sustained growth).

¶11. (C) Defense, Nilda Garre. Garre's retention is a surprise; pundits have long assumed that the former human rights advocate would not continue in Defense. Her continuity at Defense indicates defense issues and the military will continue to receive few resources or attention from the Casa Rosada. Garre, however, has gradually developed into a positive interlocutor for us. She told the Ambassador on November 13 that she remains committed to engagement with the USG, especially with respect to military training and educational programs.

Staying But Changing Portfolios

¶12. (C) Justice, Security and Human Rights, Anibal Fernandez. Fernandez was rumored as a possible candidate for Defense and his move to Justice caught many by surprise. It is a new and enhanced Ministry, however, as Fernandez brings with him his security portfolio (Federal Police, Border Guard, Coast Guard, and Airport Police) from Interior. Fernandez, whose micromanagement sometimes creates bottlenecks in his Ministry, is a positive interlocutor who is committed to close cooperation with the U.S. on counter-narcotics and security issues. In fact, he has been the most consistently helpful of the current ministerial line-up.

New Faces

¶13. (C) Economy and Production, Martin Lousteau. The 37-year-old head of state-owned Banco Provincia of Buenos Aires province was named to replace Miguel Peirano. Lousteau had previously served as Economy Minister and Chief of Cabinet in the Buenos Aires province administration of Governor Sola and at the federal level as an advisor to former Central Bank Governor Alfonso Prat-Guy. The appointment of such a young Economy Minister without substantial political weight or management experience is seen by some as proof that Nestor Kirchner will continue to serve as de facto Economy Minister in a CFK administration. On the other hand, Lousteau is reputed to be young, bright, open-minded, and not tied to Argentina's protectionist industries. Much remains to be clarified about the Economy Ministry's economic policy management mandate under Lousteau, including whether the Ministry will be able to re-take control of the Internal Commerce Secretariat that to date has

been Nestor Kirchner's key enforcer of price controls and has had the lead on manipulating statistical agency INDEC's inflation data.

¶14. (SBU) Education, Juan Carlos Tedesco. Tedesco is the current Vice Minister of Education, and has much experience in the area. He has worked for many years with UNESCO; was Director of CRESALC (UNESCO's Regional Center for Higher Education in Latin America and Caribbean) and has held various other regional and international positions. He has been open to cooperation with the USG.

¶15. (SBU) Health and Environment, Graciela Ocana. Graciela Ocana (Oh-kan-ya) is Argentina's new health minister. Her political career began in Argentina's lower house of Congress in 1999, when she was elected as part of the slate of recent presidential runner-up Elisa Carrio. Ocana was most well-known as a deputy for investigating corruption cases involving officials from ex-president Menem's government. She broke with Carrio in 2004 when she joined the Kirchner administration as head of Argentina's National Institute of Social Services for Retirees and Pensioners (PAMI). Embassy does not expect Ocana's appointment to materially affect the relationship between the USG and Argentina's Ministry of Health, which has been good. More specifically, Ocana's predecessor and U.S. Health and Human Services Secretary Leavitt signed in September 2006 an agreement to consolidate and strengthen existing links between the public health and health sciences communities in both nations. The U.S. has also been funding Argentina's avian influenza preparedness efforts by about USD one million per year for the last two years. That funding is expected to be maintained at the same level for the following three years, as a recent HHS evaluation team gave high marks to the health ministry's avian influenza work.

¶16. (C) Interior, Florencio Randazzo. Randazzo is the current Minister of Government for the Province of Buenos Aires. Despite his close relationship with his political patron, BA province Governor Felipe Sola, who maintains an on-again-off-again relationship with the Kirchners, Randazzo has developed a relationship with the Kirchners and is reported to be a trusted interlocutor for them. The new, reduced Interior portfolio will be focused on managing federal-provincial relations, likely including the flow of federal funding.

Brand New Ministry

¶17. (SBU) Science, Technology and Scientific Innovation, Lino Baranao. Lino Baranao (Ba-ran-yow), chosen to head the newly established Ministry of Science and Technology, is a PhD chemist who spent three years (1981-1984) in the United States doing postdoctoral work at the Penn State's Milton S. Hershey Medical Center. He is an active scientist who has also held important management positions within the Argentine government-sponsored scientific apparatus, most recently as head of Argentina's National Agency for the Promotion of Science and Technology. Baranao is relatively young (PhD in 1981), energetic, and friendly toward the U.S. He speaks perfect English, and has shown a willingness to engage with U.S. officials and other U.S. visitors. That the incoming CFK administration chose to create a ministry of science and technology bodes well for our already productive partnerships in key areas like space and nuclear energy, and also for possible collaboration in other important areas such as biofuels. That CFK chose a U.S.-educated scientist to run the ministry is potentially even better news for those extant and possible collaborations.

¶18. (C) Comment: A senior Argentine official told the Ambassador November 13 that "the changes to policy will likely come more gradually and marginally than you or I would like." CFK's new cabinet underscores that prediction. She has chosen continuity over change. Much campaign polling, however, indicated that the majority of Argentines were looking for continuity, not change, and that is what CFK has

given them with the cabinet line-up. At the same time, many have always thought that, if CFK wants to show her independence from her husband and 30-year partner in politics, it will only appear over time as she becomes accustomed to handling the reigns of power. It is fair to say that many others here are skeptical that she will distance herself from her husband or his policies. We will have to wait a while longer to make that judgment.

¶19. (C) Probably the most anxiously anticipated announcement was that of the new Economy Minister. Lousteau is a competent, respected, and low-profile economist and not someone likely to push his own agenda. This move will not encourage those who were hoping for bold policy adjustments. The other big new is that Julio De Vido will stay. Although close to Kirchner, the ties between him and CFK are reportedly not warm, and she reportedly would have liked to rid herself of the taint of corruption associated with him. Other concerns, including his key roles in maintaining the Kirchners' control over patronage funding and managing Argentina's energy supply deficit, seem to have kept De Vido in the Cabinet.

WAYNE